OFFICE OF THE TREASURER-TAX COLLECTOR



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May 10, 2006

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- TO: Board of Supervisors Thomas G. Mauk, County Executive Officer Treasury Oversight Committee Treasurer's Advisory Committee Participants
- FROM: John M. W. Moorlach, C.P.A., CFP[®] June Market Content of the second sec

SUBJECT: Treasurer's Management Report for April 30, 2006

Attached please find the Treasurer's Management Report for the County of Orange for the month ended April 30, 2006. The information provided herein, including all charts, tables, graphs and numerical representations, is provided to readers solely as a general overview of the economic and market conditions which the Treasurer utilizes in making investment decisions. In addition, a complete version of this report is also available for download at our website www.ocgov.com/treas/.

TREASURER'S REPORT

In order to assist you in reading this report, please note that the current balances reflect the investments recorded in the portfolios for each particular fund for the period ending April 30. Each money market fund has an average maturity of less than ninety days, with a net asset value (NAV) falling within the range of \$0.9950 and \$1.0050. The extended fund will have an average maturity of up to 549 days and a fluctuating NAV. All investments are marked to the market at the end of the reporting period due to the narrow valuation range prescribed by the Pools' Investment Policy Statement.

The reports reflect the par value (face value), the book value (cost to the County of the investment) and market value (the price of each security at the close of the market on the last trading day of the month). Market values are derived from the Bloomberg Professional Service, a premier provider of instant access to real-time and historical financial data. The difference between the market value and book value is the unrealized gain or (loss). The Detail Transaction Report Section is provided in compliance with California Government Code Section 53607, which requires that the Treasurer file such a report with the Board of Supervisors, from whom his investment authority has been delegated.

APPORTIONMENT OF COMMINGLED POOL INTEREST EARNINGS

We have prepared a forecast for the timing of the County Pool's March 2006 and April 2006 interest apportionments. We anticipate posting the March 2006 and April 2006 interest apportionments to participants' cash accounts in the County general ledger by approximately May 4, 2006 and June 2, 2006, respectively.

CHANGES IN ELIGIBLE CREDITS

In the month of April, there were four changes to the Treasurer's approved eligibility list:

The following was removed from the CP/ MTN Eligibility list:

1) Giro Multi-Funding Corp.

The following were added to the CP/MTN Eligibility List:

- 2) Giro Balanced Funding Corp.
- 3) UBS Americas Inc.
- 4) Alcon Capital Corp.

In addition, the following issuers were placed on credit watch negative but remain compliant with our Investment Policy Statement and are deemed to be of such high quality they continue to be included in their respective eligibility list:

- **Private Export Funding Corp.** (no longer on credit watch by month-end)
- Fifth Third Bank

Please see the attached reports detailing the reasons the above actions were taken by the Treasurer.

ECONOMIC OBSERVATIONS

Leading up to the 16th consecutive tightening today, May 10th, the economic refrain continues although the tempo may be slowing some. Many of the economic indicators showed conflicting information. However, one main trend can be discerned. Current conditions remain favorable, but both consumers and businesses are growing increasingly concerned about future developments.

Manufacturing and the rate of job growth both slipped from prior levels indicating slowing growth. However, the service sector and consumer consumption continued to post strong growth levels. One area that has continued to show signs of slowing is the housing industry. Both mortgage applications and housing starts where down sharply in April.

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Aside from the housing sector nothing seems able to cause consumers to slow down their spending. The questions the Federal Reserve Open Market Committee (FOMC) needs to answer are: how strong is demand going to be later this year, and how much further can rates be raised without pulling the foundation out from under the housing market?

The data continues to depict an economy that is expanding at an above trend pace with first quarter Gross Domestic Product posting a preliminary 4.8% growth rate, which is anticipated to be revised higher. However, with the effects of FOMC tightenings working with a lag of up to one year, all eyes are focused on growth levels in the second half of this year.

The market is forecasting a pause at either the next FOMC meeting of June 29th or the following one on August 8th.

Interest Rate Forecast

At this time, the Treasurer's Investment Committee is estimating an interest yield of 3.75 percent for the portfolio during fiscal year 2005-2006.

Please call with any questions.

ORANGE COUNTY TREASURER-TAX COLLECTOR EXECUTIVE SUMMARY May 1, 2005 - April 30, 2006

					AVERAGE	
PERIOD ENDING - MONTH / YEAR		MONTH END	E/	ARNINGS FOR	YIELD FOR	MONTH END
	N	ARKET VALUE		MONTH	MONTH	WAM
Current Month -April 2006						
County Pool - Money Market Fund	\$	2,369,981,051	\$	9,761,165	4.80%	25
Educational Pool - Money Market Fund	\$	2,240,609,358	\$	8,117,151	4.81%	40
Extended Fund	\$	1,702,966,857	\$	5,973,981	4.13%	287
March 2006						
County Pool - Money Market Fund	\$	1,953,949,036	\$	7,465,041	4.60%	30
Educational Pool - Money Market Fund	\$	1,975,163,364	\$	8,072,937	4.60%	47
Extended Fund	\$	1,691,008,075	\$	5,134,439	3.82%	267
February 2006						
County Pool - Money Market Fund	\$	1,928,205,781	\$	6,203,227	4.48%	32
Educational Pool - Money Market Fund	\$	2,156,578,419	\$	7,413,028	4.47%	54
Extended Fund	\$	1,542,707,130	\$	4,883,504	3.97%	263
January 2006	, , , , , , , , , , , , , , , , , , ,	,- , - ,	Ŧ	, ,		
County Pool - Money Market Fund	\$	1,730,807,314	\$	7,288,808	4.33%	28
Educational Pool - Money Market Fund	\$	2,229,871,926	\$	7,906,726	4.30%	38
Extended Fund	\$	1,667,664,958	\$	5,031,447	3.52%	267
December 2005	φ	1,007,004,938	φ	5,031,447	3.52 /0	207
	¢	0.070 550 400	¢	0.070.050	4.000/	20
County Pool - Money Market Fund	\$	2,273,556,493	\$	8,272,353	4.20%	36
Educational Pool - Money Market Fund	\$	2,251,869,796	\$	7,013,914	4.17%	45
Extended Fund	\$	1,666,951,795	\$	4,806,291	3.44%	264
November 2005						
County Pool - Money Market Fund	\$	1,764,219,017	\$	5,431,434	3.96%	36
Educational Pool - Money Market Fund	\$	1,795,317,372	\$	5,763,233	3.97%	55
Extended Fund	\$	1,616,280,601	\$	4,734,849	3.46%	280
October 2005	•		^	1 001 700	0	- 1
County Pool - Money Market Fund	\$	1,587,619,387	\$	4,691,500	3.77%	54
Educational Pool - Money Market Fund Extended Fund	\$ \$	1,834,752,304 1,658,630,151	\$ \$	6,158,578 4,722,715	3.79% 3.32%	63 297
September 2005	Ψ	1,030,030,131	ψ	4,722,713	3.32 /0	231
County Pool - Money Market Fund	\$	1,511,927,846	\$	4,679,952	3.63%	52
Educational Pool - Money Market Fund	\$	1,967,481,625	\$	5,920,243	3.61%	61
Extended Fund	\$	1,585,513,188	\$	3,944,771	3.11%	304
August 2005						
County Pool - Money Market Fund	\$	1,578,219,688	\$	4,715,019	3.50%	55
Educational Pool - Money Market Fund	\$	2,070,796,012	\$	5,904,293	3.46%	54
Extended Fund	\$	1,520,846,244	\$	3,938,232	3.05%	283
July 2005 County Pool - Money Market Fund	\$	1,704,788,689	\$	5,134,069	3.30%	55
Educational Pool - Money Market Fund	\$	2,097,386,634	φ \$	5,856,164	3.28%	53
Extended Fund	\$	1,508,289,288	\$	3,904,570	3.03%	301
June 2005	, , , , , , , , , , , , , , , , , , ,	,,,	Ŧ	-,,		
County Pool - Money Market Fund	\$	1,965,578,445	\$	4,990,924	3.14%	50
Educational Pool - Money Market Fund	\$	2,023,992,462	\$	5,583,846	3.12%	45
Extended Fund	\$	1,511,124,166	\$	3,878,491	3.19%	331
May 2005	•	0.007.000.754	¢	E 040 044	0.000/	50
County Pool - Money Market Fund	\$ \$	2,037,630,751 2,265,226,445	\$ \$	5,810,214	3.03% 3.02%	50 45
Educational Pool - Money Market Fund Extended Fund	Ф \$	2,265,226,445 1,461,308,895	ֆ Տ	5,796,023 3,678,833	2.93%	45 334
	Ψ	AVERAGE	ψ	TOTAL	AVERAGE	AVERAGE
CUMULATIVE BALANCES - 12 MONTHS		BALANCES		EARNINGS	YIELD	WAM
May 1, 2005 - April 30, 2006						
County Pool - Money Market Fund	\$	1,867,206,958	\$	74,443,708	3.51%	40
Educational Pool - Money Market Fund	\$	2,075,753,810	\$	79,506,135	3.50%	46
Extended Fund	\$	1,594,440,946	\$	54,632,122	3.10%	268